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PROBLEM OF FARM SURPLUSES

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PROBLEM OF FARM SURPLUSES

A NEW DRIVE to reduce the huge volume of agricultural surpluses in the hands of the government is getting into gear under authority granted by the farm bill enacted late in May. President Eisenhower told Congress in a special message on Jan. 9, 1956, that the "mountainous surpluses" overshadowed all of "the many difficulties that aggravate the farm problem." If it were not for the government's "bulging stocks," he said, farmers would be receiving "far more for their products today." Secretary of Agriculture Benson has estimated that surpluses hanging over the market reduced farm income last year by more than $2 billion.

Although there is disagreement as to the responsibility of high, rigid price supports for growth of the government's surplus holdings,[1] it is plain that the surpluses represent over-production or under-consumption. While U.S. farm output has increased, domestic consumption has not risen correspondingly, and exports have declined sharply from the totals of the war and early postwar years when foreign markets were absorbing about one-third of the yield of American farms. The result has been that the volume of commodities acquired by the government to maintain prices has soared to unprecedented heights.

Pertinent Provisions of the Farm Act of 1956

The Agricultural Act of 1956, approved May 28, seeks not only to slow down accumulation of surpluses through its acreage-reducing soil bank, but also to speed up liquidation of commodities already held by means of new disposal programs and more intensive use of old programs. The soil bank plan enables the government, to a limited extent, to "use the surplus to use up the surplus."[2] Grain farmers

[1] President Eisenhower has asserted repeatedly that the surpluses have resulted largely from wartime production incentives continued too long in peacetime, but defenders of high, rigid supports have taken issue with that contention.

[2] Secretary Benson, testimony before Senate Agriculture Committee, Jan. 12, 1956.

taking acres out of production under the plan are to receive negotiable certificates redeemable either in cash or in surplus grain held by the Agriculture Department's Commodity Credit Corporation.[3] President Eisenhower noted in his farm message that if production is cut, "Commodities . . . in government ownership can be used to supply market needs up to a proportionate amount."

To step up surplus disposal, the new farm act directed the Commodity Credit Corporation, in the cotton year starting Aug. 1, to sell for export at competitive world prices its existing stocks of extra-long staple cotton and as much other cotton as would "re-establish and maintain the fair historical share of the world market for United States cotton."[4] Both the President and the State Department objected to the provision for mandatory cotton exports. Eisenhower termed it "particularly unfortunate."[5] The State Department said such exports would constitute dumping, depress the economies of other cotton-producing countries, and jeopardize relations with such cotton-exporting countries as Brazil, Mexico, Pakistan, Peru, and Turkey.

The act raised the ceiling on expenditures for surplus commodities for foreign relief donations from $300 million to $500 million and authorized payment of ocean freight and processing charges on such shipments. The law authorized also an annual appropriation of $500 million to supplement so-called Section 32 funds for "removal" of various surplus commodities, mainly perishables.[6] And it authorized C.C.C. to donate surplus products to certain federal penal and state correctional institutions not previously eligible to receive those donations.

Coming Recommendations on Surplus Disposal

In addition to directing C.C.C. to dispose of its stocks of surplus agricultural commodities "as rapidly as possible," the farm act called on the Secretary of Agriculture to sub-

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[3] The option of taking compensation in kind for acreage reduction is limited to producers of grain. It was originally proposed to allow the option also to producers of cotton.

[4] Secretary Benson has indicated that export of about 5 million bales annually would give the United States a fair share of the world market. The *Wall Street Journal* estimated July 3 that cotton exports in the crop year ending July 31 will total only about 2.2 million bales.

[5] The President pointed out, when he signed the bill, that the provision would require the government "to follow an inflexible program of cotton export sales with little regard to costs and without adequate regard to the far-reaching consequences at home and abroad."

[6] For Section 32 programs, see p. 481.

mit within 90 days—that is, by Aug. 28—a series of new "detailed programs" for surplus disposal. The Secretary was asked not only to make recommendations on surplus disposal in general, but also to outline a food stamp or similar plan for distribution of surplus commodities to needy persons and a program for strategic stockpiling of farm products.

The act created a presidentially appointed commission of five members to submit to Congress by June 15, 1957, recommendations to bring about increased industrial use of agricultural products. The recommendations are to include measures to assure maximum utilization of farm commodities in the manufacture of rubber, plastics, industrial alcohol, and motor fuels. A Senate Agriculture subcommittee held hearings, July 6, on a bill to authorize an annual $100 million research program to expand uses of farm products. However, action on the measure is not expected before Congress adjourns.

USE OF CHEMISTRY TO CUT FARM SURPLUSES

During debate on the farm bill in March, Sen. Carl T. Curtis (R-Neb.) proposed conversion of surplus grain into alcohol and its blending with gasoline for use as a motor fuel. Noting that fuels containing as much as 25 per cent alcohol had been used with good results in Sweden, Curtis said that if a fuel composed of only 5 per cent grain alcohol had been sold in this country in 1955, it would have used up as much as one billion bushels of the grain held by the government.

Agricultural economists, however, are skeptical about the effectiveness of such means of reducing excess farm stocks. Geoffrey S. Shepherd of Iowa State College has asserted that the subsidy required to convert surplus grain into motor fuel would be "enormous and uneconomic." He said last year that chemistry was "unlikely to provide a cure for farm surpluses." On the contrary, he thought it was as likely to expand the surpluses as to reduce them "as witness the increasing competition of synthetic fibers . . . with cotton and wool, and the replacement of shoe-sole leather by long-wearing synthetics." [7]

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[7] Geoffrey S. Shepherd, "Surplus Disposal and Domestic Market Expansion," in The American Assembly, *United States Agriculture: Perspectives and Prospects* (1955), p. 76.

Government Acquisition of Surpluses

SURPLUSES held by the Commodity Credit Corporation are "by-products" of the price-support operations conducted by the government to hold farm prices at certain levels. Price support is mandatory for six basic commodities—cotton, corn, peanuts, rice, tobacco, and wheat—and for certain designated non-basic commodities as well. It may be extended to other crops at the discretion of the Secretary of Agriculture. C.C.C. acquires its stocks either (1) by taking over commodities pledged as collateral for price-support loans, or (2) by buying commodities directly to support prices.

Under the first method, C.C.C. makes "non-recourse" loans on storable commodities at the support price. If the market price has fallen below the loan price by the time the loan becomes due, the farmer is not obligated to pay off in dollars and cents but may turn over the commodity collateral instead. Under the second method, C.C.C. acquires various commodities, mainly grains, from farmers in pursuance of so-called purchase agreements that have committed it to buy a certain quantity at the support price at a stipulated future date. When it is not feasible to support prices through loans or purchase agreements, C.C.C. buys outright from processors such commodities as butter, cheese, and non-fat dry milk solids.

The commodities that wind up in the price-support inventory consist of both foods and non-foods. Most of them are stored in bulk, unprocessed form at sites all over the country. Wheat is housed in commercial grain elevators in producing areas and at terminal markets, in C.C.C.-owned bins, and in nearly 400 inactive Maritime Commission ships. Corn is kept largely on C.C.C. "bin sites" in the corn belt. Cheese is put in commercial cold storage warehouses in many locations. Most cotton is stored in the South, and most wool in the Boston area.

Extent and Cost of Federal Commodity Inventory

The Commodity Credit Corporation had $8.5 billion invested in surplus farm commodities on May 31, 1956. That total was only slightly smaller than the record $8.9 billion

which had been tied up in surpluses on Feb. 28. At the end of May the total consisted of $6.1 billion worth of C.C.C.-owned stocks in the price-support inventory and $2.4 billion in collateral loans outstanding. A year earlier, the comparable total of $7.2 billion was made up of $4.9 billion in inventory and $2.3 billion in loans.[8] Composition of the C.C.C. holdings on May 31, 1956, is shown in the accompanying table.

C.C.C. INVESTMENT IN SURPLUS COMMODITIES, MAY 31, 1956
(all figures in millions)

Commodity	Stocks in inventory Quantity	Stocks in inventory Cost	Stocks pledged as collateral Quantity	Stocks pledged as collateral Value
Wheat	990 bu.	$2,631	54 bu.	$111
Corn	720 bu.	1,267	425 bu.	660
Cotton, upland	7 bls.	1,253	6 bls.	995
Rice	26 cwt.	212	not available	
Grain sorghum	58 cwt.	126	not available	
Cheese	276 lbs.	107	----	----
Wool	116 lbs.	79	----	----
Barley	58 bu.	62	not available	
Oats	42 bu.	36	not available	
Dried milk	218 lbs.	36	----	----
Butter	58 lbs.	34	----	----
Tobacco	----	----	875 lbs.	530
Others	----	268*	----	93
Total		$6,111		$2,389

* Includes $150 million in strategic materials and $118 million in miscellaneous commodities.

SOURCE: Agriculture Department release, July 3, 1956.

During the 23 years that C.C.C. has engaged in price-support operations, it has incurred losses of nearly $3 billion.[9] For the 11 months ended May 31, 1956, losses exceeded $844 million. The losses represent the difference between what the agency has to pay for commodities—plus costs of handling, fire, theft, spoilage, and storage—and what it is able to get when it disposes of them. Storage costs alone now average about a million dollars for every day in the year.

Expenses involved in acquiring, holding, and disposing

[8] The year-end overall investment in surplus commodities rose from $2.5 billion on Dec. 31, 1952, to $5.7 billion on the same date in 1953, to $7.2 billion in 1954, and to $8.6 billion in 1955.

[9] C.C.C. was established by executive order in October 1933 and was operated in close affiliation with the Reconstruction Finance Corporation until July 1939, when it was transferred to the Agriculture Department.

of the surpluses have threatened time and again to exhaust the funds that C.C.C. is authorized to borrow from the Treasury to finance its operations. When the corporation was given a permanent charter by Congress in 1948, its borrowing power was limited to \$4¾ billion. That ceiling was raised later to \$6¾ billion, then to \$8½ billion, and in 1954 to \$10 billion. Last year it was boosted again to \$12 billion. Within the past few months, as C.C.C.'s unused borrowing power dwindled to less than half a billion dollars, it became apparent that the ceiling would have to be lifted once more. The Senate on July 3 voted to increase the limitation to \$14½ billion, but the House agreed on July 7 to only \$14 billion. A compromise is now awaited.

Surplus Disposal and Removal Programs

DISPOSAL PROGRAMS have moved an increasingly large volume of surplus commodities out of government hands in recent years—an estimated \$2.5 billion worth at C.C.C. cost value in the year ended June 30, 1956, as contrasted with only a half-billion dollars' worth in the comparable 1952-53 period. President Eisenhower advised Congress last January that "far more" commodities had been disposed of during the preceding three years than in any like period in recent years.[10] Disposal of government-held surpluses is carried out by a great variety of means under laws providing for sales, donations, transfers, and barter. The volume of commodities that was committed to move out of government hands through such outlets last year is shown in the table on the next page.

Domestic and Foreign Sales of C.C.C. Stocks

The Commodity Credit Corporation sells surpluses domestically, but it is prohibited by the Agricultural Act of 1949 from making any "bargain sales." The prices charged must not deter manufacturers, processors, or dealers from acquiring and carrying normal inventories of a current crop. Generally, C.C.C. cannot sell any storable commodity at less

[10] But he added: "These disposal efforts have not been able to keep pace with the problem. For each bushel-equivalent sold, one and a half have replaced it in the stockpiles."

DISPOSAL OF C.C.C. SURPLUS COMMODITIES IN 1955

Method of disposal	Dollar return *(in millions)*	Percentage of total
Commercial export sales	$521	32.8%
Donations	383*	24.1
Commercial domestic sales	275	17.3
International barter	268	16.9
Transfers to other agencies	133	8.4
Non-commercial sales †	6	0.4
Fire, spoilage, theft, etc.	2*	0.1
Total	$1,588	100.0

* No return on these items; figures shown are dollar values.
† To foreign governments, international relief organizations, and U.S. groups for aid to needy.

SOURCE: Commodity Stabilization Service, *Acquisition and Disposal of the C.C.C. Price-Support Inventory* (mimeo., April 1956), pp. 6-10.

than 5 per cent above its current support price plus reasonable carrying charges.[11] Allowable exceptions are sales for new or by-product uses; sales for seed or feed use; and sales of stocks that have deteriorated or are in danger of spoiling. Corn, cotton, and wheat accounted for the largest dollar returns in domestic commercial sales last year.

C.C.C. sells surplus commodities also to commercial firms specifically for export for dollars. Unlike domestic sales, commercial export sales are not subject to price restrictions. The Agricultural Act of 1949 authorized sale of surplus stocks for export "at any price." C.C.C. has stepped up overseas cotton sales this year by cutting export prices below domestic levels. Under a special export sales program initiated Jan. 1, about 1 million bales were sold at a minimum price of 25½c a pound while the domestic price stood at about 35¼c a pound. Under a later sales program, fortified by the farm act's provision for mandatory export sales, C.C.C. already has sold, for shipment abroad after Aug. 1, about 2.5 million bales at a minimum price of 25c a pound.

C.C.C.'s EXPORT SALES FOR FOREIGN CURRENCIES

Because importing countries are short of dollars, C.C.C. has been authorized to accept foreign currencies in payment for surplus commodities if such sales do not displace regular commercial exports. The major program for sell-

[11] President Eisenhower urged Congress last January to enact legislation to permit sales "under proper safeguards . . . at not less than support levels plus carrying charges."

ing surpluses for foreign currencies is carried out through private trade channels under Title I of the Agricultural Trade Development and Assistance Act of 1954. That law authorized appropriations to reimburse C.C.C. for surpluses sold for foreign currencies.[12] The foreign currencies in turn were to be used in various ways to increase consumption of U.S. farm products abroad and to promote good relations with other countries.[13]

Between Nov. 16, 1954, when the first Title I agreement was signed with Turkey, and June 30, 1956, 59 agreements were entered into with 27 countries for sale of surplus commodities involving C.C.C. costs aggregating around $1.5 billion. The total represented commodities—primarily cotton, fats, oils, wheat—having an export market value exceeding $954 million; ocean transportation costs of about $87 million; and processing, handling, financing, and other costs of about $425 million. The foreign currency payments due the United States, based on export prices rather than total C.C.C. costs, totaled just over $1 billion.

Sales for foreign currencies were authorized also by the Mutual Security Act of 1954. That law provided that not less than $350 million of mutual security funds ($250 million for fiscal 1957) was to be used to finance the export and sale of surplus agricultural commodities in connection with U.S. foreign aid programs. The foreign currency proceeds of such sales are reserved for military aid, defense support, or development assistance. By the end of last year more than $500 million of sales had been arranged under the Mutual Security Act of 1954.

The authors of a special report on surplus disposal published last May observed that Title I of the Agricultural Trade Development and Assistance Act authorized what was "essentially a sales program" with the primary purpose of increasing exports of surpluses. The Mutual Security Act, on the other hand, authorized what was "essentially an aid program, and exports under that authority probably should not be considered as sales." Nearly all the "sales"

[12] An original authorization of $700 million was raised last year to $1.5 billion. A bill which passed the Senate July 3 and is now awaiting House action increases the authorization to $3 billion.

[13] Foreign currency proceeds are employed to develop new markets for farm commodities, purchase strategic materials, procure military equipment, facilities, and services for the "common defense," buy goods for friendly countries, promote economic development and trade, pay U.S. obligations abroad, make loans to promote multilateral trade, and finance international educational exchange activities.

made under the latter program "may be assumed to be grants," with the export value of the commodities "charged as foreign aid." [14]

USE FOR RELIEF PURPOSES AND IN BARTER DEALS

C.C.C. disposes of some of its surpluses by transferring them, on a cash reimbursable basis, to other government agencies. Title II of the Agricultural Trade Development and Assistance Act directs C.C.C. to make available to the President up to $500 million[15] worth of commodities for famine relief and other emergency assistance to "friendly" nations and to "friendly but needy populations without regard to the friendliness of their government." Under that law, which is administered by the International Cooperation Administration, transfer of $218 million worth of grains, dairy products, and other items had been authorized by June 30, 1956, for relief operations in Latin America, Europe, the Near East, and Asia.

Another section of the 1954 law authorized C.C.C. to make surplus commodities available in domestic areas suffering from economic distress or major disaster. One of the activities under that authority is the emergency feed program, which makes feeds available at reduced rates to farmers in designated disaster areas. Last year about $43 million worth of grain and other products was so used.

Between Jan. 1 and May 30 of this year, C.C.C. also committed around $49 million worth of commodities, mainly butter and cheese, for school lunch and relief programs under Section 32 powers. During the same period it agreed to transfer to the armed services about $1.4 million worth of butter and beans.

C.C.C. is empowered, under half a dozen laws authorizing international barter of farm commodities, to dispose of substantial amounts of surplus stocks by "swapping" them for various foreign strategic and non-strategic materials. The transactions are conducted through commercial trade channels by private American firms and, unlike transactions under the foreign currency sales program, do not involve government-to-government agreements.

Since the barter program got under way in March 1950,

[14] *Prospects of Foreign Disposal of Domestic Agricultural Surpluses* (A Staff Study Directed by the Interagency Committee on Agricultural Surplus Disposal, May 1956), pp. 55, 56.

[15] Originally $300 million; raised to $500 million by Agricultural Act of 1956.

commodities valued at more than $500 million have been exchanged for products of some 35 foreign countries. A bill to lift an existing ban on barter with Soviet bloc nations, which passed the Senate July 3, would still prohibit barter transactions with the U.S.S.R., Communist China, and North Korea. Approval of the measure by the House is anticipated before adjournment.

Almost all types of surplus items have been exchanged, but wheat has accounted for over one-half the value of all bartered American commodities. The United States has received in return such non-strategic materials as fertilizer and cotton yarn and such strategic materials as antimony, industrial diamonds, and manganese. The non-strategic materials are transferred to other government agencies, which reimburse C.C.C. The strategic materials are either added to the so-called national stockpile, with full reimbursement to C.C.C., or held indefinitely by C.C.C. pending other disposition.

Donations of Surpluses to Various Agencies

When sales, transfer, or barter outlets are not available for surplus commodities, particularly perishables, they are given away in order to prevent waste. The Agricultural Trade Development and Assistance Act of 1954 amended a 1949 law to authorize donations of food to the Bureau of Indian Affairs and to various federal, state, or private agencies for use in school lunch programs, charitable institions, and aid-to-the-needy activities.

The act also allowed C.C.C. to give food not earmarked for such donations to certain private welfare agencies, federal departments, or intergovernmental organizations engaged in aiding needy persons outside the United States. Dairy products, rice, and beans valued at $122 million were committed for donation to domestic recipients last year; dairy products and cottonseed oil valued at $238 million for donations abroad. Beans, corn, rice, and wheat were added last December to the list of surplus commodities available for donation overseas, and some $35 million worth of those items had been committed for donation by June 30.

The Agricultural Act of 1954 directed C.C.C. to give dairy products to Veterans Administration hospitals and the armed services, provided such gifts did not displace normal purchases. Commitments totaled $22 million last

year. The program, originally due to expire at the end of 1956, recently was extended for an additional two years.

The desirability of giving away surpluses to persons in need of food seems plain.[16] Serious obstacles nevertheless exist. Outlets for domestic donations are unable to absorb large quantities of many surplus items. Foreign relief donations involve such problems as paying for ocean transportation, avoiding displacement of sales transactions, and finding satisfactory distribution machinery.

Special Section 32 Surplus Removal Programs

In addition to the foregoing programs for disposing of surpluses in the price-support inventory, the Department of Agriculture carries out, through its Agricultural Marketing Service, "surplus removal" programs which are designed to provide an outlet for limited quantities of commodities destined for, or already in, the market. These so-called Section 32 programs get their name from Section 32 of a 1935 law which made 30 per cent of the country's gross customs receipts available to the Department of Agriculture for various purposes.

The purposes, specified in the 1935 law and later legislation, included encouragement of exportation and domestic consumption of agricultural commodities and products. To stimulate domestic consumption, farm commodities and products are purchased for distribution to needy persons and for the school lunch program, and efforts are made to find new uses for agricultural commodities. The Agricultural Act of 1949 directed that Section 32 programs be limited principally to perishable, non-basic commodities.

Both the price-support and the Section 32 programs help to keep up farm prices. Whereas the former do so by supporting the price of an entire crop at an announced level, the Section 32 programs affect prices by expanding market outlets for certain commodities at certain times. Acquisitions are limited to quantities for which there is immediate need, and the commodities are donated, not resold. About 90 different commodities in surplus supply have received one form or another of Section 32 price assistance. The commodity groups on which the largest

[16] A Gallup poll released May 13, 1956, showed that 42 per cent of farmers questioned in 12 midwestern states favored giving away farm surpluses in the United States and 32 per cent favored foreign donations. Ten per cent thought surpluses should be sold in this country at reduced prices.

expenditures have been made are fruits, dairy products, cotton, and vegetables.

Section 32 funds are used most widely for purchase and donation programs. The Department of Agriculture buys surplus commodities through regular trade channels from farmers, farmers' agents, cooperatives, or processors and distributes them through state agencies to school boards, charitable institutions, and welfare agencies. During the 20 years from inception of such activity in 1935 to mid-1955, more than $875 million was expended on the programs, mainly in purchases of eggs, butter, wheat, and wheat products.

The export program is the next most important Section 32 activity. Several different means are employed to encourage exports, but most of the plans involve payment of cash subsidies to commercial exporters. The exporter buys the commodity at the domestic market price but is able, by virtue of the government subsidy, to sell to customers abroad at the competitive world price. Nearly $290 million was spent on export subsidies, mostly on cotton and wheat, through June 30, 1955, latest date for which detailed statistics are available.

Other operations financed by Section 32 funds have included programs to encourage use of cotton for insulation and use of potatoes for livestock feed. Persons who divert a farm commodity to a new use are given subsidies to enable them to sell the product utilizing the diverted commodity at a profit in competition with established products.

Proposals to Boost Use of Surpluses

IN THE SEARCH for ways to increase consumption of surplus farm commodities, some kind of food stamp plan, similar to that in effect from May 1939 through February 1943, is likely to be widely considered. Under the original plan, tried out in Rochester, N. Y., and later extended to cities and counties in every section of the country, persons certified by local welfare agencies as eligible for relief bought, for cash, amounts of orange-colored stamps roughly

equal to their usual expenditures for food. When they purchased orange stamps, they received free one-half as many blue stamps. The orange stamps could be used in grocery stores, in the same way as money, to buy food and household necessities. The blue stamps were good only for foods designated by the Secretary of Agriculture to be in surplus supply.

Purchase of orange stamps was required to make certain that persons participating in the plan would continue to make normal food expenditures, so that blue-stamp purchases would constitute a net addition to food consumption. Grocers exchanged for cash the stamps they took in; the plan, financed by Section 32 funds, cost about $261 million for the whole period it was in operation.[17] The orange stamps, of course, were self-financing. Eggs, wheat flour, and pork products were the most popular of all the surplus commodities obtainable for blue stamps.

The food stamp plan was a device to increase consumption of surplus foodstuffs through purchases in retail stores rather than through distribution by welfare agencies—the procedure in the case of the Section 32 donation and purchase programs. Use of regular commercial channels was considered one of the virtues of the food stamp plan. Murray R. Benedict of the University of California has written: "Undoubtedly the food stamp procedure is much superior to direct physical distribution of surplus commodities. The latter procedure involves high expense, much waste, and uneven distribution. If surplus commodities are to be made available free or at less than market price, there is unquestionably a marked advantage in having them handled through the regular channels of trade." [18]

Opposition to Renewal of the Food Stamp Plan

The value of the food stamp plan as a means of getting rid of substantial quantities of surpluses nevertheless has been questioned. Although the net effect of the original plan was to increase food consumption among low-income

[17] Another $124 million was spent on a cotton stamp plan that was in effect during the years 1940-1942 and on a supplemental stamp plan that operated only in 1941. Under the former, which was similar to the food stamp plan, participants received stamps—purchasing some and getting others free—that could be exchanged for clothing, yard goods, and other cotton articles. Under the supplemental stamp plan, farmers who reduced cotton acreage received payment in the form of stamps exchangeable for cotton goods.

[18] Murray R. Benedict, *Can We Solve the Farm Problem?* (1955), p. 293.

families, it has been pointed out that blue-stamp foods represented only about 3 per cent more of total food expenditures in the case of families participating in the plan than in the case of families not participating. Blue stamps thus were "not very effective in directing purchases of foods on the surplus list." [19]

About a dozen bills to set up various types of food stamp plans have been introduced during the 84th Congress. Assistant Secretary of Agriculture Earl L. Butz testified in opposition to several of them at House Agriculture Committee hearings in June 1955. Noting that the Department of Agriculture already was donating surplus commodities to school lunch programs, charitable institutions, and needy persons, Butz said the bills would "result in the establishment of a second system for the delivery of surplus foods . . . to needy persons, financed completely by federal funds." He insisted that "In moving larger quantities of government-owned surpluses to needy families, . . . the present method, in which states share responsibility with the Department, is the most efficient and economical."

According to Benedict, "There does not appear to be a strong case for using . . . [a food stamp plan] in times of high employment when most products are moving into consumption in a normal way." He viewed the plan as a "depression mechanism rather than one well suited to ordinary conditions." Pointing out that successful operation of such a plan "requires the wholehearted cooperation of grocers and other retail dealers," Benedict noted that "In times of depression this can usually be obtained . . . [but] it is far less likely to be obtainable in times when sales are brisk and store personnel fully employed." [20]

New Discussion of Aiken's Food Allotment Plan

The food allotment plan, a modification of the food stamp plan that has been proposed by Sen. George D. Aiken (R-Vt.) in every Congress since 1943, has attracted new attention lately. The allotment plan calls for scientific determination of a basic minimum diet and computation of the annual retail cost of the component food items. A family participating in the plan would turn over a specified per-

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[19] Geoffrey S. Shepherd, "Surplus Disposal and Domestic Market Expansion," in The American Assembly, *United States Agriculture: Perspectives and Prospects* (1955), p. 73.

[20] Murray R. Benedict, *op. cit.*, pp. 293-294.

centage of its income for sufficient food stamps to buy the food making up the minimum diet.

The Department of Agriculture has estimated that families earning between $2,000 and $3,000 a year after federal income taxes spend about 40 per cent of their income on food. Families participating in the food allotment plan consequently would be required, as the plan usually is formulated, to pay that percentage of their income for stamps entitling them to the basic food allotment. If the amount paid for the stamps came to less than the retail value of the food, a family would benefit from the deal. In practice, only such families would find it advantageous to participate.

Certain economists consider the food allotment plan superior to the conventional food stamp plan. They point out that, by taking food money away at the outset, it would prevent participants from spending it for other purposes and so would raise the nutritional level of low-income families. The problem of determining eligibility for participation would be avoided by leaving it up to individuals to decide, on the basis of income and size of family, whether or not they would benefit by taking part in the plan. On the other hand, the difficulties of administering such a program are conceded to be formidable. And insofar as it would improve the diet of low-income families, it would tend to reduce consumption of such foods as cereals and beans, which already are in surplus supply.

The National Farmers Union, at a meeting in Denver on Mar. 23, 1956, urged adoption of a national food allotment plan. The Department of Agriculture has voiced opposition. Assistant Secretary Butz told the House Agriculture Committee, at a hearing June 17, 1955, on a food allotment bill sponsored by Rep. Lee Metcalf (D-Mont.), that economic conditions did not make it "feasible or practicable . . . to establish a nation-wide food allotment program to move greater quantities of food to low-income families."

Expanded Disposal Abroad; Complaints of Dumping

To stimulate consumption of farm surpluses overseas, the Department of Agriculture has begun to step up its marketing and promotion work. The Department's agricultural attaches abroad—transferred from the State Department by

the Agricultural Act of 1954—and its marketing specialists have become more active. Wider participation in international trade fairs has been undertaken.[21]

Expansion of American disposal programs abroad, however, has brought an increasing number of complaints about dumping from such nations as Australia, Burma, Canada, Mexico, New Zealand, Thailand, and Uruguay. Willis C. Armstrong, deputy director of the State Department's Office of International Trade and Resources, has pointed out that "Reckless or excessive disposal of surpluses can injure countries which make their living selling the same goods and which cannot afford to dispose of them on the terms we are in a position to offer." Armstrong warned that "If we start a downward spiral in world agricultural prices, we also tend to eliminate our own cash export business in the process and . . . by example [encourage] other countries to adopt policies which in the end will hurt our exports." [22]

A special government report on surplus disposal last spring concluded that the "best opportunities" for expanding farm exports, without displacing regular sales by the United States or friendly nations, "exist in the low-income, low-consumption areas." Noting that surplus farm commodities "can make an important contribution to programs designed specifically to accelerate capital development and increase consumption in such areas," the report recommended that "special attention . . . be given . . . to using . . . surpluses in support of investment programs, especially in the less developed countries." Attention was directed to studies of a number of low-income areas which indicated that from "one-third to one-half of the total cost of many capital projects could be provided by surplus agricultural commodities." [23]

[21] Sen. Styles Bridges (R-N.H.), chairman of the Senate Republican Policy Committee, said last Jan. 24 that the committee felt the administrative departments should be "pushed, pressured, and encouraged" to step up surplus disposal.

[22] Willis C. Armstrong, "Policies of the Department of State on the Disposal of Surplus Agricultural Commodities," *Department of State Bulletin*, Feb. 20, 1956, p. 307.

[23] *Prospects of Foreign Disposal of Domestic Agricultural Surpluses* (A Staff Study Directed by the Interagency Committee on Agricultural Surplus Disposal, May 1956), pp. i, 76.